THE RIGHT TO "APPROPRIATE" TRADE VALUES

JAMES A. RAHL*

Few doctrines of the common law concerning competition have aroused such high hopes and great fears as the so-called doctrine of "misappropriation of trade values." When the Supreme Court in 1918 approved on grounds of unfair competition the enjoining of International News Service from copying and transmitting to its customers published news reports originated by Associated Press,[1] a spirited controversy began among judges and writers which has not subsided. The doctrine has scored few actual successes in decisions, but it has achieved great fame. A powerful lure to plaintiffs' counsel in all manner of alleged unfair competition situations, the doctrine has been urged so often that the unfair competition part of the *INS* opinion has been cited in over 150 judicial opinions to date. The Supreme Court's label, "misappropriation,"[2] rightly or wrongly, has become the accepted title for chapter headings and law review articles.

---

* Professor of Law, Northwestern University. The author wishes to acknowledge the assistance in research for this article of Mrs. Eleanor S. Weiner, Class of 1962, Northwestern University, School of Law.

1 International News Service v. The Associated Press, 248 U.S. 215 (1918).

2 The Court stated that defendant, in copying the news produced by Associated Press from early editions of Eastern newspapers and from bulletin boards, and in "selling it as its own is endeavoring to reap where it has not sown, and by disposing of it to newspapers that are competitors of complainant's members is appropriating to itself the harvest of those who have sown." (248 U.S. at 239-40). This, said the Court, "amounts to an unauthorized interference with the normal operation of complainant's legitimate business precisely at the point where the profit is to be reaped, in order to divert a material portion of the profit from those who have earned it to those who have not. . . ." This is "unfair competition in business," and the underlying principle is that he who has paid the price should have the beneficial use of property. To the contention that the news was too "fugitive or evanescent" to be property, the Court said that while this might be an answer in a common law action, it was not in equity, where it could be considered as having "all the attributes of property necessary for determining that a misappropriation of it by a competitor is unfair competition because contrary to good conscience." (*Id.* at 240). The Court elsewhere called it "quasi-property." (*Id.* at 236, 242).

The Court rejected the contention that the news was abandoned to the public when published in the first newspaper. This theory, "by permitting indiscriminate publication by anybody and everybody for purposes of profit in competition with the news-gatherer, . . . would render publication profitless, or so little profitable as in effect to cut off the service by rendering the cost prohibitive in comparison with the return." (*Id.* at 241).

Rejecting the argument that relief in unfair competition cases is limited to palming off cases, the Court said that this case was one in which defendant's conduct "substitutes misappropriation in the place of misrepresentation." (*Id.* at 242).

The Court upheld an injunction against "bodily taking of the words or substance

The writings have kept the profession well informed, and it would be quite reasonable to ask what possible excuse there can be for still another article. The chief justification is that most of the writings have expounded polar points of view and there may have been a tendency to lose sight both of the modest function which the doctrine can perform on a limited basis, and the utter impossibility of having any general principle against appropriation of published trade values. This article is an attempt to put these matters in perspective, and to state a rationale for the doctrine as limited.

The general conclusions may be summarized briefly at the outset. The courts have thoroughly rejected any broad principle of unfair competition based on the mere adoption, copying, imitation or use of trade values which have successfully reached the market. In general, there is no question that there is a clear right to "appropriate" trade values after they have been marketed. Moreover, this right is important to our economic society, and, contrary to many imprecations against it, it is probably as morally strong as it is economically sound.

On the other hand, the courts have been willing to interfere with the appropriation of marketed trade values in certain rather extreme instances. It is difficult, however, to state a rationale for such cases and it is easy to be pushed into adopting a radical position either for or against them. Both Justice Pitney speaking for the majority in the *INS* case and Justice Brandeis in the dissent succumbed to the temptation,[3] but, of course, they did not have the benefit of years of experience with the problem.

A rationale is available. Most of the cases in which relief has been granted have involved certain types of services of a fragile character, rather than products, whose commercial exploitation without destruction by immediate imitation is difficult. The situation has usually been that the defendant, by copying or imitating the service, was not merely competing, but was doing so under circumstances where the result would be to destroy either the value created by

---

of complainant's news until its commercial value as news" was past. (*Id.* at 232). It did not approve any permanent monopoly of the news or right to prevent the public from copying it. It upheld utilizing "tips" obtained from a competitor's news, as distinguished from "bodily appropriation." (*Id.* at 243).

The "misappropriation" label was used again by the Supreme Court in Schechter Poultry Corp. v. United States, 295 U.S. 495 at 532 (1935), where the Court stated that the doctrine of unfair competition has been extended "to apply to misappropriation as well as misrepresentation, to the selling of another's goods as one's own, to misappropriation of what equitably belongs to a competitor." The only authority given for this broad dictum was INS v. AP.

[3] International News Service v. The Associated Press, 248 U.S. 215, at 229, 248 (1918).

plaintiff or the market for it. The protection granted has been to safeguard the plaintiff's opportunity to market his trade value. On this rationale, most of the decisions are acceptable, and perform a valid function.

THE DIFFICULTY OF CHOOSING A RULE

As Walter Wheeler Cook, who argued against the majority's adopting a "new rule," reminded Justice Brandeis, a decision in a case such as *INS* could not be reached without adopting some new rule.[4] The problem had never been squarely faced. A decision against the plaintiff would be a rule that he had "no-right" (Hohfeldian) and that the defendant and others similarly situated had a right or privilege to use and profit from the fruits of plaintiff's ideas, skill, labor and costs, as long as they could do so without transgressing some special prohibition.

Every case of this kind is troublesome. A recent one illustrates the uneasy task of the courts. In *Intermountain Broadcasting & Television Corp. v. Idaho Microwave, Inc.*,[5] the Idaho Federal District Court was required to determine whether the defendants were privileged to operate a community television receiving antenna service. The antenna was located so as to pick up telecasts by the three plaintiff television stations, located in Salt Lake City, and to transmit their programs by microwave relay and cable to the home receiving sets of customers in Twin Falls, Idaho, who were too far away (200 air miles) to receive a dependable direct signal from the Salt Lake stations. The stations each had valuable contracts with a Twin Falls television station to permit the latter to pick up and rebroadcast their network programs over its facilities. The regulatory scheme of the Federal Communications Act did not control the controversy. Plaintiffs did not attempt to rely upon any theory of statutory copyright, and a possible theory of common law copyright protection for program content was treated by them as subsidiary. The main reliance was upon the *INS* principle that defendant's conduct was a "misappropriation of the fruits of plaintiffs' money, skill and labor."[6]

The analogy to the facts of the *INS* case was fairly good. In both cases, intangible material of current interest (news and programs) was produced for profit at great cost and labor, and was being adopted for sale by defendant at the very moment of its appearance. The effect

[4] W.W.C. [Walter Wheeler Cook], Comment, "The Associated Press Case," 28 Yale L.J. 387 (1919). Actually, Cook called Brandeis' view on this point an "illusion." (*Id.* at 391).

[5] 196 F. Supp. 315 (D. Idaho, 1961).

[6] *Id.* at 321.

was not merely to offer competition to plaintiff, but to tend to destroy a market which plaintiff was creating and seeking to exploit. In the *INS* case, as the Supreme Court recognized, the member-subscribers of Associated Press would presumably not long support at high cost a news service whose work was being handed over free to their competitors. Likewise, it was alleged (quite plausibly) in the *Intermountain* case that defendant's plan would completely destroy plaintiffs' market for the sale of rebroadcast privileges in the area concerned.[7]

The *Intermountain* case was in some ways stronger than the *INS* case because the taking would be instantaneous, thereby making the destruction of the particular business opportunity of plaintiff complete. On the other hand, the defendant's conduct in the *Intermountain* case did not threaten the main business life of the television stations, as did the conduct of INS. The opportunity of the television stations to obtain their normal return from sponsors through general broadcasts was unaffected. It was only the possibility of extra returns from the extension of regular broadcasts which was in issue.

For or Against *INS v. AP*

The *Intermountain* case could have been decided by pivoting it on a flat adoption or rejection of the misappropriation theory. The court could have declared, as did Judge Greenberg in New York in *Metropolitan Opera Ass'n v. Wagner*,[8] that efforts to "profit from the labor, skill, expenditures, name and reputation of others" constitute unfair competition. On the other hand, the court could have joined forces with Learned Hand to relegate the *INS* theory to the graveyard of cases confined to their peculiar facts, believing any broader view "incredible."[9] The *INS* case could have been called a "leading authority" as it was called by the Pennsylvania Supreme Court in the *Waring* case,[10] or it could have been said with Judge Wyzanski that the case would probably be decided differently by the present Supreme Court, and that it is not unfair competition in Massachusetts to use information assembled by a competitor except in cases of breach of trust or contract.[11]

If the case were decided on the theory that one must not reap where he has not sown, or that free rides by competitors constitute

[7] *Id.* at 326.

[8] Metropolitan Opera Ass'n v. Wagner, 199 Misc. 794, 101 N.Y.S. 2d 483, 492 (1950); *aff'd*, 279 App. Div. 632, 107 N.Y.S. 2d 795 (1951).

[9] RCA Mfg. Co. v. Whiteman, 114 F.2d 86, 90 (2d Cir. 1940); Cheney Bros. v. Doris Silk Corp., 35 F.2d 279, 280 (2d Cir. 1929).

[10] Waring v. WDAS Broadcasting Station, 327 Pa. 433, 194 Atl. 631 (1937).

[11] Triangle Publications, Inc. v. New England Newspaper Pub. Co., 46 F. Supp. 198, 203-204 (D. Mass. 1942).

unjust enrichment, the plaintiffs in the *Intermountain* case should have won, for the defendants were planning to reap rewards from the free use of costly television transmissions. Let them pay for a contract with plaintiffs or go to the trouble of establishing their own television station. A rich legal vocabulary with great emotional force is available to drive the point home including such words as "pirate" and "parasite."

Moreover, the serious judgment of scholars can be marshalled to support a holding for plaintiffs. "In general," Dr. Callmann once said, "the public will not be benefited by allowing one competitor to profit from the fruits of another's labor." This "is particularly so when one competitor enriches himself at the expense of the other." The *INS* case, he said, "imported into the law of unfair competition the concept of unjust enrichment."[12] Edward S. Rogers called the *INS* decision one needed to keep pace with modern trade conditions. "It approaches," he said, "the question from the point of view of defendants' wrong, rather than a discussion of complainant's rights. The defendant's conduct was parasitic and immoral. Immoral conduct is always unfair to someone."[13] Leon Green very recently has found the *INS* case analogous to the converting of physical property or tapping a power line. "[A]ppropriation of the trade values of one trader by another" is unfair when it takes such a form, and competition is no defense. Indeed, he said, there "is no superior interest which will justify plain, naked appropriation of a competitor's creation."[14]

On the other hand, outright disavowal of the whole idea would meet with the approval of an equal number of writers. Commenting contemporaneously, Albert Kocourek applied his jurisprudential talents to the *INS* case and concluded that there was no way of stating its principle, however narrowly, which would be acceptable in our society. It would be "destructive of all progress" to act upon it, he said,

[12] Callmann, "He Who Reaps Where He Has Not Sown: Unjust Enrichment in the Law of Unfair Competition," 55 Harv. L. Rev. 595, 597-599 (1942); cf., Callmann, "What Is Unfair Competition?" 28 Geo L. J. 585 (1940). See 2 Callmann, The Law of Unfair Competition and Trade-Marks Ch. 15 (2d ed. 1950), where a measured view of the case law leads to the conclusion that "most courts have yet to extend the law of unfair competition to prevent unjust enrichment." *But see*, Sell, "The Doctrine of Misappropriation in Unfair Competition: The Associated Press Doctrine After Forty Years," 11 Vand. L. Rev. 483 (1958); Galbally, "Unfair Trade in the Simulation of Rival Goods—The Test of Commercial Necessity," 3 Villanova L. Rev. 333 (1958).

[13] Rogers, "Unfair Competition," 17 Mich. L. Rev. 490, 494 (1919). See Note, "The Case for Unfair Competition," 29 Notre Dame Lawyer 456 (1954).

[14] Green, "Protection of Trade Relations under Tort Law," 47 Va. L. Rev. 559, 566-69 (1961); see also Green, "Relational Interests," 29 Ill. L. Rev. 460 (1934).

because the world as now constituted "must continue on a basis of mitigated piracy."[15] In a similar vein, Zechariah Chafee, Jr., pointed out that "Columbus discovered America, but here we are"; that progress depends upon development of the ideas of others; that the patent and copyright laws determine what original ideas shall be protected; and that the courts should not do anything different.[16] Milton Handler sounded the antitrust warning, often stated by others, that "For one to reap with impunity the fruits of another's labor may be reprehensible, but the creation of new species of property interests and new series of monopolies by the courts may be disastrous to free enterprise."[17]

An Intermediate View—Protection of Primary Marketing Purpose

In the *Intermountain* case, Judge Sweigert denied a motion by plaintiff for summary judgment.[18] The court obviously was tempted to repudiate the *INS* principle, and the opinion shows the continuing influence of the Brandeis dissent. But while holding against the plaintiffs, it refrained from entire rejection of the misappropriation idea, and offered a special synthesis which leaves some room for relief in a limited class of cases and which merits attention for its possible value in harmonizing the conflicting decisions and points of view. The court stated:

> Those courts which have followed and applied the doctrine of International News Service have done so in identical fact situations, . . . or in cases where there was manifest unjust enrichment, for example, where rights in private enterprises or events for which the investor had granted exclusive TV or Radio licenses were involved—unique situations in which the primary purpose of an investor to charge the public for the privilege of watching an event, would be frustrated or defeated through exhibition by others than itself or its exclusive licensee . . . .[19]

While the phrase "manifest unjust enrichment" is also manifestly insufficient as a guide, the example given is useful. Relief was granted

---

[15] A.K. [Albert Kocourek], Comment, 13 Ill. L. Rev. 708, 716-19 (1919).

[16] Chafee, "Unfair Competition," 53 Harv. L. Rev. 1289, 1318 (1940); see Chafee, "New Ideas about Law," 6 Ind. L. J. 503 (1934).

[17] Handler, "Unfair Competition," 21 Iowa L. Rev. 175, 189 (1936). See also, Zlinkoff, "Monopoly versus Competition: Significant Trends in Patent, Anti-Trust, Trade-Mark and Unfair Competition Suits," 53 Yale L. J. 514, 546 (1944); Brown, "Advertising and the Public Interest: Legal Protection of Trade Symbols," 57 Yale L.J. 1165, 1199 (1948).

[18] Intermountain Broadcasting & Television Corp. v. Idaho Microwave, Inc., 196 F. Supp. 315 (D. Idaho 1961).

[19] 196 F. Supp. at 323.

where "the primary purpose . . . to charge the public for the privilege of watching an event would be frustrated or defeated" by defendant. In *INS*, according to Judge Sweigert, the defendant was interfering with the "primary purpose of Associated Press and its members in the sale of its gathered news, first or fresh, to the paying public, while in the pending cases the practice of defendants does not interfere with any such primary purpose of plaintiff's."[20] Indeed, the court pointed out that the primary purpose of obtaining revenues from sponsors might be aided by the defendants. The court also offered other distinctions from the *INS* case,[21] but lack of need for protection against frustration of the primary marketing purpose was the primary basis of the decision.

There are two key elements in this formula: (1) frustration or destruction, and (2) frustration or destruction of a primary means whereby plaintiff seeks to reap the profit for his labors. The first element must be taken rather literally in order to distinguish from the great mass of "appropriation" situations. It is rare that competitive copying or imitation of a trader's product or service will substantially destroy his opportunity to market the trade value. What usually happens is a mere ordinary consequence of competition, *i.e.*, a forced sharing of the market with competitors. The plaintiffs in the *Intermountain* case met the destruction test, with the allegation that defendants' plan for a free television ride would *destroy the market* for sale of rebroadcast rights; they did not merely allege that the plan would cut into the rebroadcast market.

The court held against plaintiffs on the second test, holding that plaintiffs were in no danger of losing a "primary" market. What different circumstances would satisfy this test? The court said that there might be recovery if plaintiffs showed disruption of an important exclusive contract, as in the sports broadcasting cases. But plaintiffs did have contracts with the Twin Falls station, and they were presumably exclusive in effect, if not in terms. Further, an exclusive contract is not necessarily a "primary" market; it could be a very minor aspect of the business. Moreover, a contract need not be exclusive

[20] *Id.* at 325.

[21] The court further distinguished the case from INS. v. AP on the ground that in the Intermountain case, plaintiffs and defendants were not engaged in the same kind of business, that there was no misrepresentation such as that involved in INS's failure to acknowledge that AP was the source of the news, (which was the theory of Holmes' concurring opinion), and that the "modus operandi" and "time factor" of defendants' use of the broadcasts differed from the INS situation (196 F. Supp. 315, 325-326). The court also preferred a "cautious approach" because the field of broadcasting is one over which "Congress has already assumed control sufficient to enable it, if it so chooses, to regulate the practice one way or another in the public interest." (*Id.* at 323).

to be of great value under certain circumstances. Consequently, the court's example is unclear. The court probably meant that if the production of the fruits of plaintiffs' labors were planned pursuant to a profitable contract with another who is paying for exclusive copying privileges, unauthorized copying would tend to defeat the contract and the production itself. This is another way of saying that the court's protection will be reserved for situations in which defendant's conduct threatens to destroy the opportunity to market the trade value, the prospect of which has induced plaintiff to bring it forth. In the *Intermountain* case, the plaintiffs engaged in broadcasting for reasons completely independent of any desire to profit from selling rebroadcast rights. The latter prospect was incidental, and, therefore, defendants' conduct would not interfere with production of the values concerned.

Thus understood, the court's formula is a practical one. It incurs little or no cost in the reduction of competition, because it protects the marketing of trade values in circumstances where marketing would otherwise be discouraged, and it denies protection where the trade values will be produced anyway. It is somewhat analogous, as Leon Green has pointed out,[22] to protection against conversion, and it is also similar to the traditional line of cases wherein relief is given against intentional physical interferences which prevent the marketing of goods.[23]

Further, although it is not a simple test, its customary use would be in cases where equitable relief is sought, and it should be no more difficult a formula than others administered by equity courts, as Walter Wheeler Cook pointed out long ago.[24] And perhaps Albert Kocourek could approve it as a principle,[25] since it is sufficiently narrow in application that it ought not to interfere with progress and may promote it.

The Decisions for Plaintiffs in Light of the Frustration of Primary Purpose Doctrine

Most cases in which protection has been granted on a misappropriation theory meet the tests suggested.[26] Some cases have arisen

[22] Green, "Protection of Trade Relations under Tort Law," 47 Va. L. Rev. 559, 566 (1961).

[23] For cases, see Green, Malone, Pedrick and Rahl, Injuries to Relations (1959) 4; Oppenheim, Unfair Trade Practices Ch. 12 (1950).

[24] Walter Wheeler Cook, "The Associated Press Case," 28 Yale L. J. 387 (1919). Cook was critical of the intimation that the courts were incapable of moulding the legal situation so as to safeguard against abuses without going too far.

[25] *Supra* note 15.

[26] For valuable collections of cases and commentaries, see Handler, Trade Regulation Ch. 11 (3d ed. 1960); Kaplan and Brown, Cases on Copyright, Unfair Competi-

which were very similar to the facts in the *INS* situation, and these have resulted in relief against commercial copying of news reports and the use thereof in competition with plaintiff.[27] Denial of such protection has been rare.[28]

Another class of cases involves the unauthorized broadcasting or rebroadcast of events with the production of which plaintiff is connected and for which he seeks profit through broadcasting or sale of broadcasting rights.[29] In *Twentieth Century Sporting Club, Inc. v. Transradio Press Service, Inc.*,[30] the court enjoined defendant from providing a contemporaneous account of a prize fight to radio station customers, where the source of the information was to be the broadcast, authorized by plaintiff, through a profitable contract with a network. Denial of relief presumably would have endangered the contract, and would have reduced or eliminated plaintiff's incentive to allow broadcasting. In *Pittsburgh Athletic Co. v. KQV Broadcasting Co.*,[31] the court enjoined the broadcasting of professional baseball games through observation from vantage points outside the enclosed ball park, plaintiff having sold the broadcasting rights to another station. In *Mutual Broadcasting System, Inc. v. Muzak Corp.*,[32] the court enjoined the direct rebroadcast through defendant's channel of plaintiff's broadcasts of World Series baseball games. In *National Ex-*

---

tion and other Topics 494, 508, 540-614 (1960); Oppenheim, Unfair Trade Practice Ch. 4 (1950); Green, Malone, Pedrick and Rahl, Relational Interests 127-168 (1959); 2 Callmann, Unfair Competition and Trade-Marks Ch. 15 (2d ed. 1950); Nims, Unfair Competition and Trade-Marks Ch. 19 (4th ed. 1947); Note, "Misappropriation as Unfair Competition," 6 Syr. L. Rev. 317 (1955), and the articles cited in notes 12-17, inclusive, *supra*.

27 Associated Press v. KVOS, Inc., 9 F. Supp. 279 (W.D. Wash. 1934), reading plaintiff's news over radio; Veatch v. Wagner, 109 F. Supp. 537 (D. Alaska 1953), similar; McCord v. Plotnick, 108 Cal. App. 2d 393, 239 P.2d 32 (1951), competitive copying of credit newspaper.

28 See Triangle Publications, Inc. v. New England Newspaper Pub. Co., 46 F. Supp. 198 (D. Mass. 1942), where the court, applying Massachusetts law, rejected a contention that it was unfair competition for a newspaper to copy racing information collected and published by plaintiff; the opinion included an express refusal to follow the INS decision.

29 See Solinger, "Unauthorized Use of Television Broadcasts," 48 Col. L. Rev. 848 (1948); Nizer, "Proprietary Interest in Radio Programs," 38 Col. L. Rev. 538 (1938); Comment, "Unfair Competition and Exclusive Broadcasts of Sporting Events," 48 Yale L.J. 288 (1938).

30 165 Misc. 71, 300 N.Y.S. 159 (1937).

31 24 F. Supp. 490 (W.D. Penn. 1938); see also Southwestern Broadcasting Co. v. Oil Center Broadcasting Co., 210 S.W. 2d 230 (Tex. Civ. App. 1947), telephone line into high school game.

32 177 Misc. 489, 30 N.Y.S.2d 419 (1941).

hibition Co. v. Fass,[33] the adaptation and transmittal by teletype of sports broadcasts was enjoined. The decision in *Loeb v. Turner*,[34] where the court refused relief against a rebroadcast of a sporting event, is consistent with these cases in that the rebroadcast was solely to an area beyond reach of plaintiff's station; the case is thus analogous to the *Intermountain* decision in this respect.

Probably in the same category as the broadcast cases are decisions preventing the unauthorized taking or use of commercial pictures of professional sporting events where sale of picture rights would be an expected source of profit.[35]

While there were several grounds for the holding in *Metropolitan Opera Ass'n v. Wagner*,[36] one rationale was that defendant's transcribing of radio broadcasts of opera performances and the subsequent sale of recordings of the broadcasts was unfair competiton. The plaintiff opera association had a valuable contract with the plaintiff record company for recording rights, and defendant's conduct threatened destruction of the value of this contract thereby undermining both the incentive to broadcast the programs and the incentive to pay for recording rights. In this light, the conclusion of the Second Circuit Court of Appeals in the earlier case of *RCA Mfg. Co. v. Whiteman*[37] is quite reconcilable. In that case, the court, by Judge Learned Hand, denied an injunction against the commercial broadcasting of musical records produced and sold by plaintiffs for home use. While Judge Hand thought it desirable to confine the *INS* case to its peculiar facts, and virtually to repudiate the whole doctrine, this approach was unnecessary. RCA and Whiteman were successfully marketing their records. They were merely seeking, in a more extreme manner than that of the plaintiffs in the *Intermountain* case, to "have their cake and eat it too" by obtaining added profits from restrictions in use of the records after profitable sales. Such protection was unnecessary. Judge Hand's objections to the Pennsylvania decision in the *Waring* case, which allowed relief on facts similar to the *RCA* case,[38] however, were for these reasons completely sound.

---

[33] 143 N.Y.S.2d 767 (Sup. Ct. 1955).

[34] 257 S.W.2d 800 (Tex. Civ. App. 1953).

[35] In Rudolph Mayer Pictures v. Pathe News, 255 N.Y.S. 1016 (1932), the taking of motion pictures of a boxing match in Ebbetts Field from a nearby building was enjoined; cf. Madison Square Garden Corp. v. Universal Pictures, Inc., 7 N.Y.S.2d 845 (1938), enjoining use in a sports movie of certain actual shots of plaintiff's hockey team.

[36] 199 Misc. 794, 101 N.Y.S.2d 483 (1950), *aff'd*, 279 App. Div. 632, 107 N.Y.S.2d 795 (1951).

[37] 114 F.2d 86 (2d Cir. 1940).

[38] In Waring v. WDAS Broadcasting Station, Inc., 327 Pa. 433, 194 Atl. 631 (1937),

There have been very few decisions for plaintiffs in other types of cases except where factors other than mere "appropriation" were invloved.[39] Relief has been largely confined to cases involving news, broadcasting, performances, and related activities.[40] These activities have the common characteristic that destruction of their value is relatively simple because they must be produced and distributed under circumstances where appropriation at the initial stage may frustrate the opportunity to market them. Judicial protection is extended in order to get them to market on a par with products and services having less fragile marketing characteristics. But judicial protection ceases

---

the court followed INS in enjoining the commercial broadcasting of records produced by plaintiff and sold with notice restricting the subsequent use to non-commercial purposes. The protection granted was not necessary to protect plaintiff's opportunity to sell records. *Cf.*, Waring v. Dunlea, 26 F. Supp. 338 (E.D. N.C. 1939). Similarly, to the extent that the decision in Capitol Records, Inc. v. Mercury Records Corp., 221 F.2d 657 (2d Cir. 1955) rests upon a misappropriation theory, it is not consistent with the rationale suggested in this article because there also the protection granted was against duplication of recordings which had been or were being sold. It is interesting to note that the court regarded the Metropolitan Opera case as being in point because some of the records being sold by defendant in that case were of performances as to which one plaintiff, Columbia Records, had sold records. *Cf.*, Note, "Nonpatentable and Noncopyrightable Trade Values; Private Rights and the Public Interest," 59 Col. L. Rev. 902, 913 (1959), where the Capitol Records case is interpreted as one where publication had not taken place. See Kaplan, "Performer's Right and Copyright: The Capitol Records Case," 69 Harv. L. Rev. 185 (1956).

[39] Other cases frequently mentioned as involving reliance upon the "misappropriation" doctrine include : Miller v. Universal Pictures Co., 18 Misc. 2d 626, 188 N.Y.S.2d 386 (1959), noted, 25 Albany L. Rev. 167 (1961), where Glenn Miller's widow recovered for unauthorized sale of records based on the sound track of an authorized movie; interference with a recording contract with RCA was a factor in the decision. *Cf.* Ettore v. Philco Television Broadcasting Corp., 229 F.2d 481 (3d Cir. 1955), recovery for unauthorized televising of an old fight movie. Uproar Co. v. Nat'l Broadcasting Co., 81 F.2d 373 (1st Cir. 1936), where the court enjoined Ed Wynn and publishing company from printing and selling cheap pamphlets of the scripts of Ed Wynn's broadcasts produced for plaintiff; impairment of the value of Wynn's contract with plaintiff was a major factor, along with possible confusion as to and disparagement of the sponsorship. National Telephone Directory Co. v. Dawson Mfg. Co., 214 Mo. App. 683, 263 S.W. 483 (1921), enjoining placing of advertising covers on plaintiff's directories in a hotel; the court treated this as acutal appropriation of plaintiff's tangible personal property in the phone books. *Contra*, New England Tel. & Tel. Co. v. National Merchandising Corp., 335 Mass. 658, 141 N.E.2d 702 (1957), sale of plastic advertising covers for directories permitted. Meyer v. Horowitz, 5 F.2d 370 (E.D. Pa. 1925), 10 F.2d 1019 (3d Cir. 1926), enjoining sale of postcards by defendant for use in vending machines designed for plaintiff's cards; the case cannot easily be reconciled with the rationale of this article, nor with the present policy of the antitrust laws against tying restrictions.

[40] Note, "Misappropriation as Unfair Competition," 6 Syr. L. Rev. 317 (1955).

when the market is reached, and the plaintiff is given a real chance to sell his trade value.

THE DECISIONS FOR DEFENDANTS IN LIGHT OF THE FRUSTRATION OF PRIMARY PURPOSE DOCTRINE

The great bulk of the cases in which plaintiffs have sought protection against the copying or imitation of published trade values have resulted in decisions for the defendants. This is as it should be under the suggested doctrine, because in these cases relief has not been necessary to protect the primary opportunity to market a product or service. The plaintiff can reach the market without judicial help, and is merely complaining about competition.

The largest class of such cases is that involving imitation of goods and machines. Relief in these cases is often sought and customarily denied. Complaints have been refused for copying or imitating such widely different things as steak knives,[41] chocolate Christmas greeting cards,[42] baseball "trading" cards,[43] fabric and apparel designs,[44] electrical parts,[45] drugs,[46] chinaware,[47] "pocket" books,[48] garment closure devices,[49] and business forms.[50] Many more examples could be provided.[51]

While it often seems, as Judge Medina stated in *American Safety*

---

41 Chas. D. Briddell, Inc. v. Alglobe Trading Co., 194 F.2d 416 (2d Cir. 1952).

42 Barton Candy Corp. v. Tell Chocolate Novelties Corp., 178 F. Supp. 577 (E.D.N.Y. 1959).

43 Bowman Gum, Inc. v. Topps Chewing Gum, Inc., 103 F. Supp. 944 (E.D.N.Y. 1952).

44 Cheney Bros. v. Doris Silk Corp., 35 F.2d 279 (2d Cir. 1929); Millinery Creators Guild v. FTC, 109 F.2d 175 (2d Cir. 1940). United Merchants and Manufacturers, Inc., v. Bromley Fabrics, Inc., 3 Misc. 2d 179, 148 N.Y.S.2d 22 (1955). *Cf.*, Dior v. Milton, 9 Misc. 2d 425, 155 N.Y.S.2d 443 (1956), where injunction was issued because defendants copied designs at private showings. In Richard J. Cole, Inc. v. Manhattan Modes Co., 157 N.Y.S.2d 259 (App. Div. 1956), it was held on the facts that publication had occurred. In general, see writings cited in note 26 *supra*, and Weikart, Design Piracy, 19 Ind. L.J. 235 (1944); Casser, "Legal Protection of Commercial Design," 1959 Wis. L. Rev. 652; Elman, "The Limits of State Jurisdiction in Affording Common Law Protection to Clothing Designs," 11 Vand. L. Rev. 501 (1958).

45 Harvey Hubbell, Inc. v. General Electric Co., 262 Fed. 155 (S.D.N.Y. 1919).

46 Norwich Pharmacal Co. v. Sterling Drug, Inc., 271 F.2d 569 (2d Cir. 1959), refusal to enjoin imitation of pink color of stomach disorder remedy in absence of showing of secondary meaning. Upjohn v. Merrell, 269 Fed. 209 (6th Cir. 1920), same decision, same color.

47 Pagliero v. Wallace China Co., 198 F.2d 339 (9th Cir. 1952).

48 Pocket Books, Inc. v. Meyers, 292 N.Y. 64, 54 N.E.2d 6 (1944).

49 Raenore Novelties, Inc. v. Superb Stitching Co., 47 N.Y.S.2d 831 (1944).

50 Reynolds & Reynolds v. Novick, 114 F.2d 278 (10th Cir. 1940).

51 See Handler, Cases on Trade Regulation Ch. 11, esp. 971, note 13 (3d ed. 1960).

Table Co. v. Schreiber,[52] that courts "have little sympathy for a wilful imitator," they have been outstandingly successful in overcoming their lack of sympathy. Product imitation, once the product has been placed on the market, is plainly unactionable, regardless of how great an innovation the plaintiff's product represents (absent patent protection, of course), and regardless of how seriously defendant may be diverting sales (absent confusion of source, passing off or other independent wrong). This is as true in New York, which has been especially hospitable to the misappropriation doctrine, as it is elsewhere. A different rule would have deprived the public of any alternatives in automobiles, ice cream cones, rubber tires and skyscrapers. These cases demonstrate the impossibility of having any general doctrine against appropriation of trade values. It is the product cases of which one usually thinks when he is in a mood to reject the *INS* case and all its works. It is also easy to forget, however, that not all valuable things get to market as easily as tangible products.

Largely the same lack of protection has been accorded to valuable business ideas, methods, and systems. In the field of business ideas, it is clear that once an idea has been unconditionally communicated in private, or generally published, there is no protection against its adoption however novel, concrete, and valuable it may be.[53] Moreover, the courts have denied protection against the copying and sale of parts for unpatented business systems, such as plates for use in the "Addressograph" system,[54] replacement watch crystals for sale in a special cabinet designed for plaintiff's crystals,[55] and use of plaintiff's "Charga-Plate" credit plates in defendant's stores.[56] It goes without saying that more general business systems and methods are without judicial protection against imitation. A different rule might have pre-

[52] 269 F.2d 255, 272 (2d Cir. 1959), allowing injunction against copying of plantiff's collar-making machine after patent expired, because of showing of active confusion of source. Judge Medina stated, however, that absent some independent wrong, "imitation is the life blood of competition," *ibid. Cf.*, Mastercrafters Clock & Radio Co. v. Vacheron & Constantin-Le Coultre Watches, 221 F.2d 464 (2d Cir. 1955); see dissent by Clark, J. on ground that decision in effect extended life of the patent.

[53] Havighurst, "The Right to Compensation for an Idea," 49 Nw. U. L. Rev. 295, 301 (1954). See, *e.g.*, Affiliated Enterprises, Inc. v. Gruber, 86 F.2d 958 (1st Cir. 1936), denying protection against copying of "Bank Night" plan; Continental Casualty Co. v. Beardsley, 151 F. Supp. 28 (S.D.N.Y. 1957), no relief for "pirating" plan for insuring against loss of corporate stock certificate.

[54] Addressograph—Multigraph Corp. v. American Expansion Bolt & Mfg. Co., 124 F.2d 706 (7th Cir. 1941).

[55] Germanow v. Standard Unbreakable Watch Crystals, Inc., 283 N.Y. 1, 27 N.E.2d 212 (1940).

[56] Hartford Charga-Plate Assoc. v. Youth Centre-Cinderella Stores, 215 F.2d 668 (2d Cir. 1954).

vented copying such ingenious methods as the supermarket, the drive-in bank, and the loose-leaf law service.[57]

Similarly, uncopyrighted advertising material is open to appropriation.[58] Since advertising is closely related to trademarks and tradenames, however, and since unique advertising methods or slogans often identify a particular business firm, it is not uncommon for confusion of source to result from appropriation of such material, in which case the courts will act on plaintiff's behalf.

Other values which have been denied protection have included such things as a magic act,[59] the typography of a book,[60] uncopyrighted musical annotations,[61] photographs,[62] comic strip characters,[63] and song arrangements.[64]

FOUNDATIONS OF THE RIGHT TO APPROPRIATE

The right to appropriate published trade values, subject to the qualifications discussed above, rests upon firm foundations. Its legal foundation has been shown in the decisions. It remains to mention its moral and economic foundations.

Much confusion of thought has resulted from careless talk about the reprehensibleness of reaping where one has not sown, of taking a free ride, and of imitating. There is hardly any excuse in the discussion of a difficult subject such as this for the use of emotional words like "pirate" and "parasite." But even more to the point, the word "misappropriation" is itself inaccurate and misleading. In

[57] Cf. J. Irizarry Y Puente v. President & Fellows of Harvard College, 248 F.2d 799 (1st Cir. 1957).

[58] See Brown, "Advertising and the Public Interest: Legal Protection of Trade Symbols," 57 Yale L. J. 1165 (1948).

[59] Glazer v. Hoffman, 153 Fla. 813, 16 So. 2d 53 (1943). *But cf.*, Chaplin v. Amador, 269 Pac. 544 (Cal. App. 1928), granting recovery against movies with an actor named "Charlie Aplin" because of likelihood of deception of the public; Lone Ranger, Inc. v. Cox, 124 F.2d 650 (4th Cir. 1942); Santa's Workshop v. Sterling, 122 N.Y.S.2d 488 (1953), deceptively similar unique place of business. See, Benny v. Loew's, Inc., 239 F.2d 532 (9th Cir. 1956), parody of copyrighted play.

[60] Ricordi & Co. v. Haendler, 194 F.2d 914 (2d Cir. 1952).

[61] Descles & Cie S.A. v. Nemmers, 190 F. Supp. 381 (E.D. Wis. 1961), no recovery for photocopying of 90% of uncopyrighted annotations of liturgical music.

[62] Hesse v. Brunner, 172 F. Supp. 284 (S.D.N.Y. 1959), photographs of Biblical scenes.

[63] National Comics Publications v. Fawcett Publications, 93 F. Supp. 349 (S.D.N.Y. 1960), "Superman" v. "Captain Marvel." *Cf.*, Fisher v. Star Co., 231 N.Y. 414, 132 N.E. 133 (1921), injunction against imitation of "Mutt & Jeff" on ground of likelihood of deception of public. See Note, "The Protection Afforded Literary and Cartoon Characters through Trade-Mark, Unfair Competition, and Copyright," 68 Harv. L. Rev. 349 (1954).

[64] Supreme Records v. Decca Records, 90 F. Supp. 904 (S.D. Calif. 1950).

its customary usage, to misappropriate is wrongfully to take something from another. The word signifies that the defendant has not only used something belonging to the plaintiff, but has also deprived the plaintiff of its use. The torts of fraud and conversion involve true misappropriation. But in most of the cases under consideration, the plaintiff does not complain of being deprived of possession of his trade value or of the right to use it; but, the usual complaint alleges loss of exclusive possession, enjoyment, and use. A right to exclude others is asserted. This claim is substantially like that made in suits for patent infringement, *i.e.*, the plaintiff claims transgression of a monopoly right. If a plaintiff is forced to state it in that manner, and is not permitted to talk about "appropriation," two important changes occur. First, his burden greatly increases because our attitude toward common law extension of monopoly privileges is far less sympathetic than our attitude toward protection of property against misappropriation. The deception involved in the use of words like "property" and "quasi-property" to describe plaintiff's rights in cases like this becomes clear. Second, the defendant's standing is greatly improved if he is regarded as one who is competing (*i.e.*, interfering with monopoly), rather than one who is appropriating (*i.e.*, doing something akin to stealing). The decisions for and against plaintiffs discussed above show actual recognition of the difference between something like true appropriation ("frustration of primary marketing purpose") and mere competition.

Although many of the supposed moral problems disappear with a few changes in words, there still remains a tendency to think that copying is wrong in itself. It is wrong in school examinations designed to test individual accomplishment. It is wrong when it takes the form of plagiarism of literary, artistic, and musical work, although this wrong is in the failure to give credit rather than in the copying itself. Is copying of commercial values wrong in a moral sense?

In most of the important fields of human activity it is not usually considered wrong to imitate valuable things, ideas and methods. The more acceptable to society the thing is, the more others are encouraged to imitate it. Education is founded upon this premise, as is progress in science, art, literature, music, and government. Indeed, where most human values are concerned, the tendency of our society and much of our law is to disapprove of a failure to imitate, which we call "anti-social" or "non-conformity," and to reward the imitator, or "conformist."

This is true in economic matters. We condemn communism, and we seek to induce others to imitate free enterprise. In day-to-day affairs, men of business regard highly other businessmen whose

methods conform to custom, and disapprove of those who depart too radically from the norm. It is the price cutter, not the price conformist, who is regarded as "unethical." It is the seller who deviates from normal channels or patterns of distribution who usually earns the disapprobation.

Furthermore, looking at the facts, there is little basis for saying that our economic society regards as immoral the imitation of specific trade values even when they have immediate pecuniary worth to their originator. The uniform and frequent refusal of the courts to protect against such imitation except in value-destruction cases is persuasive. Further proof arises from the fact that the Federal Trade Commission, which has dealt with thousands of unfair competition cases under Section 5 of the Federal Trade Commission Act over the past half century and has evolved numerous rules on the subject, has not developed any general principle against "misappropriation."

We have but to look around us to see that our "dynamic" economy is one which thrives upon and requires rapid imitation of innovated trade values. Without intending to deprecate the patent and copyright systems, we can say that the preponderance of the great advances associated with our economic progress have come forth with only modest statutory protection, or none at all, and have been freely and quickly copied, including the great newer institutions of commerce such as the corporation and the modern credit system; the familiar systems of transportation and communication; basic methods of production such as assembly-line methods and use of automation; fundamental engineering achievements such as great bridges, roads, and skyscrapers; countless new and improved products; and most of the newer forms of marketing and distribution, including chain stores, cooperatives, department stores, supermarkets, modern streamlined wholesale methods, mail order houses, and now shopping centers and drive-in establishments. Nothing is calculated to restore perspective on the importance of the right to appropriate more quickly than a comparison of these freely-appropriated great commercial values with the insignificant social and economic worth of most of the values which have been litigated in the decided cases.

Finally, as often pointed out, we cannot have a general rule against copying of published trade values and at the same time have an effective system of competition.[65] Although competition has many definitions and descriptions, it is clear to all that it cannot exist without the availability of reasonably close alternatives for the satisfaction of economic wants. While complete functional interchange-

[65] See note 17, *supra.*

ability of competing products and services is not always required, and much non-functional differentiation is tolerable up to a point, it is obvious that the alternatives must be substantially similar in quality and price, and must come from independent sources.[66]

Substantial similarity of alternatives can come about in only one of two ways—by independent development or by imitation. While there are many instances of simultaneous independent innovation, our economy would still be in the Dark Ages if this were the only circumstance under which competing alternatives could be offered. Imitation is inherent in any system of competition and it is imperative for an economy in which there is rapid technological advance.

It follows that preservation of a high degree of freedom to copy, imitate, mimic, and "appropriate" the published or marketed trade values of others is not merely defensible, but is of vital importance, and the courts are to be commended for generally recognizing its importance. What is still needed is that we rid ourselves of the false sense of guilt shown in our continual apologizing for permitting a freedom which we know is of fundamental importance.

It is not freedom of competition which requires apology. It is interference with freedom which must always be explained. Accordingly, there is intellectual danger in the use of presumptions of wrong-doing in the business tort area such as the "prima facie tort" theory.[67] Tort law will be entirely out of balance with social and economic needs and norms if it purports to require justification for the mere intentional diversion of custom and patronage. It is the claim of right to protection from competition, not competition itself, which should always be put to the test of justification.

---

[66] Professor Edwards has said that a structural characteristic of effective competition is existence of "an appreciable number of sources of supply and an appreciable number of potential customers for substantially the same product or service," Edwards, Maintaining Competition 9 (1949). Freedom of every trader to adopt innovations, he adds, provides substantial opportunity for experiment and improvement, *id.* at 9. Professor Wilcox stated: "Competition among sellers, even though imperfect, may be regarded as effective or workable if it offers buyers real alternatives sufficient to enable them, by shifting their purchases from one seller to another, substantially to influence quality, service and price. Competition, to be effective, need not involve the standardization of commodities; it does, however, require the ready substitution of one product for another; it may manifest itself in differences in quality and service as well as in price," Wilcox, Competition and Monopoly in American Industry, Monograph No. 21 8 (1940); Temp. Nat'l Econ. Comm. (76th Cong. 3d Sess.) See also, Report of Attorney General's National Committee to Study the Antitrust Laws 315, 330 (1955) for recognition of importance of freedom to imitate innovations.

[67] *But see*, Brown, "The Rise and Threatened Demise of the Prima Facie Tort Principle," 54 Nw. U.L. Rev. 563 (1959); Green, "Protection of Trade Relations under Tort Law," 47 Va. L. Rev. 559, 569 (1961).

The situation is analogous to the rule of reason in antitrust law. Principles of unfair competition limit freedom of competition and are thus something like private restraints of trade. However, we do not condemn restraints of trade unless they are shown to be unreasonable, *i.e.*, that they unduly lessen competition. With Justice Brandeis, not in the *INS v. AP* case, but in *Board of Trade of City of Chicago v. United States*, we say

> The true test of legality is whether the restraint imposed is such as merely regulates and perhaps thereby promotes competition or whether it is such as may suppress or even destroy competition.[68]

CONCLUSION

Accordingly, the role for a doctrine against the adoption of trade values by competitors must be extremely limited. But there is a valid role, and that is to protect trade values against copying of a sort which will cause their destruction or their frustration. Thus confined, such protection will not ordinarily interfere with competition, and it "perhaps . . . promotes competition." It certainly promotes competition if the refusal of protection would result in suppression of the trade value, either by its destruction at the hands of the defendant, or by its concealment or non-use by the plaintiff.

Such a test is far harder to administer than one which totally rejects any basis for protection, or one which claims a general principle against "misappropriation." But plainly neither of these extremes is acceptable. Competition is not an absolute value by any means. Yet, we cannot tolerate anything but a very confined rule against the taking of published trade values.

We will tolerate, and occasionally we do need, the aid of the courts in escorting the plaintiff to the market with values so fragile that they cannot otherwise make it.

---

[68] 246 U.S. 231, 238 (1918).